

**AGENDA**



**Recommendation for Board Action**

**AUSTIN HOUSING FINANCE CORPORATION (AHFC)**

**AHFC Meeting: October 19, 2017**

Item Number: **AHFC004**

**Consent**

Approve a resolution appointing Interim Assistant City Manager Joe Pantalione as a Director and President of Arbors at Creekside Non-Profit Corporation, the Austin Inner-City Redevelopment Corporation, the Villas on Sixth Non-Profit Corporation, Austin Housing Finance Corporation Village on Little Texas Non-Profit Corporation, the Austin Housing Finance Corporation Aldrich 51 Non-Profit Corporation, and the Austin Housing Finance Corporation 1034 Clayton Lane Non-Profit Corporation to fill the vacancies left by former Assistant City Manager Bert Lumbreras.

<b>Lead Department</b>	Neighborhood Housing and Community Development.
<b>Fiscal Note</b>	There is no unanticipated fiscal impact. A fiscal note is not required.
<b>For More Information</b>	Rosie Truelove, Austin Housing Finance Corporation Treasurer, 512-974-3064; David Potter, Program Manager, 512-974-3192.
<b>Council Committee, Boards and Commission Action</b>	<p>November 20, 2014 - The Austin Housing Finance Corporation Board authorized the formation of the Austin Housing Finance Corporation 1034 Clayton Lane Non-Profit Corporation and appointed Bert Lumbreras as a Director and President for a term expiring November 30, 2017.</p> <p>April 23, 2015 - The Austin Housing Finance Corporation Board authorized the formation of the Austin Housing Finance Corporation Aldrich 51 Non-Profit Corporation and appointed Bert Lumbreras as a Director and President for a term expiring April 30, 2018.</p> <p>September 1, 2016 - The Austin Housing Finance Corporation Board re-appointed Bert Lumbreras as a Director of Arbors at Creekside Non-Profit Corporation, the Austin Inner-City Redevelopment Corporation, the Villas on Sixth Non-Profit Corporation, and the Austin Housing Finance Corporation Village on Little Texas Non-Profit Corporation for terms expiring July 31, 2019.</p>

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### **Additional Backup Information:**

If approved, this resolution would appoint Interim Assistant City Manager Joe Pantalione as a Director of each of the following corporations to fill the vacancies left by Former Assistant City Manager Bert Lumbrellas:

- Austin Housing Finance Corporation (AHFC) 1034 Clayton Lane Non-Profit Corporation (term expiring November 30, 2017)
- AHFC Aldrich 51 Non-Profit Corporation (term expiring April 30, 2018)
- Arbors at Creekside Non-Profit Corporation (term expiring July 31, 2019)
- Austin Inner-City Redevelopment Corporation (term expiring July 31, 2019)
- Villas on Sixth Non-Profit Corporation (term expiring July 31, 2019)
- AHFC Village on Little Texas Non-Profit Corporation (term expiring July 31, 2019)

### **Purpose and Roles of the Corporations and Partnerships**

Each of the corporations listed above is part of the ownership structure of various affordable multi-family rental properties. These AHFC-related corporations were authorized by the AHFC Board for the purpose of partnering, usually with a for-profit developer, in the development of affordable rental housing.

All but one property were financed in part with Low Income Housing Tax Credits, a program governed by Chapter 42 of the Internal Revenue Code (IRC). The IRC requires that the Owner of the property be structured as a limited partnership (LP). The LP can own no other properties. This limits the liability of the Owner to the one property.

The tax credit investor (i.e., the Limited Partner) typically owns 99.9% of the development. The developer of the property (i.e., the General Partner) owns approximately 0.01% of the development during the initial 15-year tax credit compliance period.

After the initial 15-year compliance period, when there is no longer a tax benefit to the investor, the 99.9% interest in the property can be refinanced and sold to the General Partner or a non-profit organization. Regardless, the affordability restrictions will remain in place for at least another 15 years.

The **AHFC 1034 Clayton Lane Non-Profit Corporation** was formed for the purpose of serving as the General Partner of the LP that owns the **Timbers Apartments**, located at 1034 Clayton Lane in **District 1**. AHFC was approached by the Cesar Chavez Foundation, a national non-profit corporation with affordable housing as one of its primary missions, to enter into a partnership to acquire and rehabilitate the Timbers Apartments. This 104-unit complex is considered “family-friendly” because it only has units with 2, 3, or 4 bedrooms. No AHFC funding was used. The project was financed through AHFC private activity bonds, tax credits, and a U. S. Department of Housing and Urban Development (HUD)-insured mortgage. AHFC holds title to the land, providing the development with a 100% property tax exemption. In exchange, AHFC received a developer fee and will receive a percentage of the cash flow generated. The rehabilitation work was completed in 2016.

The **AHFC Aldrich 51 Non-Profit Corporation** was formed for the purpose of serving as the General

Partner of the LP that owns the **Aldrich 51 Apartments** in the Robert Mueller Municipal Airport redevelopment area in District 9. The project was financed with AHFC private activity bonds, AHFC Rental Housing Development Assistance (RHDA) funding, and tax credits. AHFC holds title to the land, providing the development with a 100% property tax exemption. In exchange, AHFC received a developer fee and will receive a percentage of the cash flow generated. The 240-unit project will be completed in late 2017.

The **Arbors at Creekside Non-Profit Corporation** was formed for the purpose of serving as the General Partner of the LP that owns **Primrose at Shadow Creek Apartments**, a 176-unit senior development located at 1026 Clayton Lane in **District 1**. The property was constructed in 2002, and financed with RHDA funding, AHFC private activity bonds, and tax credits. AHFC also holds title to the land, providing the development with a 100% property tax exemption. The 15-year initial tax credit compliance period for this property ends on December 31, 2017 at which time the property could be refinanced or sold in accordance with IRC rules. However, the affordability restrictions must remain in place for another 15 years.

The **Austin Inner-City Redevelopment Corporation** is the General Partner of Austin Inner-City Redevelopment, Phase I, Ltd., which is the LP that owns 25 single-family rental homes in the **Heritage Heights** subdivision. The homes are located in the 1600 blocks of East 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> Streets in **District 1**. The homes were constructed in 1993, and are in their second 15-year affordability period which will end December 31, 2023. The cash flows generated are used to maintain the properties and rehabilitate them as needed. Although the land is not owned by AHFC, a 2009 determination from the Travis Central Appraisal District ruled that since AHFC effectively controls the property and uses it for affordable housing, the property should be 100% exempt from property taxes.

The **Villas on Sixth Non-Profit Corporation** was formed for the purpose of serving as the General Partner of Villas on Sixth Housing Associates, LP, the LP that owns the **Villas on Sixth Apartments**, at 2021 East Sixth Street in **District 3**. Villas on Sixth was constructed in 2005 and consists of 160 units of mixed-income housing with 90% of the housing affordable to low-income households. The development received RHDA funding and tax credits. AHFC holds title to the land, providing the development with a 100% property tax exemption. In exchange, AHFC received a developer fee, and continues to receive a percentage of cash flows and a monthly lease fee.

The **AHFC Village on Little Texas Non-Profit Corporation** was formed for the purpose of serving as Managing Member of the Village on Little Texas, LLC, the limited liability company that owns the **Retreat at North Bluff Apartments**. The property is located at 6212 Crow Lane, just off South Congress Avenue, in **District 2**. The property opened in 2009 and consists of 240 units of mixed-income housing, 75% of which is affordable to low- and moderate-income households and which includes 6 permanent supportive housing units. The development was financed through a HUD-insured mortgage, money from private equity investors, and RHDA funding. This property was not financed using tax credits or private activity bonds. AHFC holds title to the land, providing the development with a 100% property tax exemption. In exchange, AHFC receives an annual lease fee and a percentage of the cash flows. Unlike the tax credit-financed properties described above which are required to be affordable for 30 years, the Retreat at North Bluff has a 99-year affordability period.